

December 31, 1998

Mayor Jim Naugle
Vice Mayor John E. Aurelius
Commissioner Tim Smith
Commissioner Carlton B. Moore
Commissioner Jack Latona
City Manager, Floyd T. Johnson

**RE: CITY'S COMPREHENSIVE ANNUAL FINANCIAL REPORT -
YEAR ENDED SEPTEMBER 30, 1998**

Dear Mayor, Commissioners and City Manager:

Presented for your consideration and review is the City's Comprehensive Annual Financial Report for the year ended September 30, 1998. This report was prepared by the City's Finance Department.

Although the financial statements were audited by independent accountants as stated in their report on Page 1, the responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material respects, that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and all disclosures, necessary to enable the reader to gain general understanding of the City's financial activity, have been included.

This Comprehensive Annual Financial Report is divided into three major sections:

1. **Introductory Section** - As the title indicates, this section introduces the reader to the report and includes the table of contents, this transmittal letter, the Certificate of Achievement awarded to the City by the Government Finance Officers Association and a City organization chart.
2. **Financial Section** - Five combined financial statements, one combining financial statement, together with the notes to the financial statements and required supplementary schedules, compose the General Purpose Financial Statements. These are the City's basic financial statements and provide an overview for users who require information about the City's finances than is contained in the balance of this report. The remainder of the financial section presents combining statements, individual fund statements and schedules focusing on individual funds rather than fund types.

3. **Statistical Section** - While this section contains substantial financial information, these tables differ from financial statements in that they present some non-accounting data, cover more than two fiscal years, and are designed to reflect social and economic data, financial trends and the fiscal capacity of the City.

Originally chartered as a municipality under the laws of the State of Florida in 1911, the City provides general municipal services, such as police and fire protection, parks, recreation, public works and others. Certain enterprise activities including public parking, a municipal airport and the utilities of water, sewer, sanitation and stormwater are also provided. The charter was replaced by a special act of the Florida legislature in 1957 and was substantially revised in 1984.

THE FINANCIAL REPORTING ENTITY

This report includes all funds, account groups and component units of the City, in accordance with Statement No. 14 of the Governmental Accounting Standards Board entitled "The Financial Reporting Entity". The Financial Reporting Entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Sunrise Key Safe Neighborhood Improvement District (SK) is included as a component unit along with the Fort Lauderdale Community Redevelopment Agency (CRA). These organizations have been included as component units, since the City is financially accountable for and is able to impose its will on them. The transactions and balances of the CRA are blended with those of the City (primary government), while the SK financial information is discretely presented in the combined financial statements.

The City of Fort Lauderdale, Downtown Development Authority (DDA) and the Housing Authority of the City of Fort Lauderdale are related organizations, but separate and distinct, and are not included since they do not meet the established criteria for reporting herein. Along with the Performing Arts Center Authority and the DDA, the City is a participant in a joint venture in the Arts and Science District Parking Garage with each party maintaining an ongoing financial interest.

ECONOMIC CONDITION AND OUTLOOK

The Fort Lauderdale economy kept pace with the strong national economy in FY 1997/98.

Office space became a premium in the last year. Therefore, rental rates have increased with the demand from U.S. companies looking to do business in Latin America, and Latin American companies wishing to expand into the United States. The vacancy rate for the central business district was 9 percent compared to 7.9 percent in September 1997 and to 11.5 percent in Broward County overall. At the end of the fiscal year, there were a few large spaces which became available downtown. An additional 250,000 square feet of new office space will be available in 1999 with the completion of Las Olas Centre II.

The overall real estate market and its impact on the City financial picture can be described with the increase in the City's assessed value. Fiscal Year 1997/98 saw an increase in the City's tax base of \$513 million from \$9.6 billion to \$10.1 billion including \$120 million in new construction. The

tax base growth during FY 1997/98, which provides revenue for FY 1998/99, was another \$892 million to a total assessed value of \$11 billion and \$220 million in new construction. Other major developments are currently under construction including:

- New River Village, Phase 1 - 240 upscale rental residential units
- Villaggio di Las Olas - mixed use project of 24 luxury townhouses/condominiums and 15,000 square feet of retail space
- The Harborage - 44 luxury condominium units
- Bay Shore Place - 46 ultra-luxury condominium units
- Alhambra Place - 24 ultra-luxury residential units
- Jackson Tower - 126 luxury residential units
- Bridge Side Place - 246 rental apartments, 15,000 square feet of retail space, and 25,000 square feet of office space along with a 500 space parking garage
- Las Olas Centre II - 250,000 square feet of office space and 15,000 square feet of retail space

The Fort Lauderdale Metropolitan Area unemployment rate was 4.4 percent in September 1998, compared to 5.1 percent a year earlier. The labor force grew 3.2 percent to 649,400.

Hotel occupancy in greater Fort Lauderdale was 68.5 percent through the first nine months of 1998. Airline passengers arriving and departing Fort Lauderdale/Hollywood International Airport stayed the course of 9.3 million through September resulting in the same level as 1997. While Port Everglades passenger counts were down 10.9 percent, Tourist Development Tax revenue was up 3 percent.

MAJOR INITIATIVES

Addressing the Year 2000 Situation

In 1992, the City began addressing this problem with the initiation of the open systems computer environment. Under this approach both software and hardware is systematically replaced with year 2000 compliant counterparts. This past fiscal year marked a concentrated effort to bring all systems and equipment up to these standards. Every system has been identified and assessed. A majority of systems have been tested for compliance. During testing there were some failures which have been addressed either by being fixed and retested or are scheduled for repair well before the end of 1999.

Among the successfully completed programs are the payroll, pension, parking citation, alarm, fire safety and occupational license systems. The central accounting system, FAMIS, is being replaced with an updated version and operating system more natural to its design.

Further information concerning the year 2000 issue can be found in Note 21 of the “Notes to the Financial Statements”. It should be noted that the extensive and uncertain nature of this issue has resulted in the external auditors being unable to give year 2000 compliance assurances as a result of their audit. A vast majority of local governments will receive similar qualifying language in their audit opinion letters until the full effect of the year 2000 is known.

Internet Bond Sales

The City “took to the streets” when it became the first general-purpose government in Florida to sell bonds over the information superhighway. On August 11, 1998, the City boldly used this technology by marketing two of its bond issues over the Internet in one day. The two issues consisted of excise tax and general obligation refunding bonds. The excise tax bonds were sold in two series with components of refunding and new money bonds.

Bidders were encouraged to submit bids either for the entire bond issue or for particular maturities (a unique feature of Internet bidding) via the MuniAuction web site. Using this approach, the sales attracted more bids than any previous bond sale with 19 firms submitting bids on the excise tax issue alone. Several of these underwriters had never bid on our bonds before. This unique experience allowed us to view each sale live during the 30 minute time period in which bids were submitted. At all times during the period we were kept apprised of the leading bid. Bidders were notified immediately after submitting their bid whether they were the low bid and, if not, were permitted to submit another bid with a lower interest cost.

We were pleased with the results. Several underwriters purchased the \$26,790,000 general obligation issue by winning the bid on individual maturities. However, having submitted the low bid for the entire bond issue, one firm purchased all of the \$12,300,000 excise tax bonds. As a measure of how successful the sales were compared to the market, the results were compared to the Delphis Hanover daily rate scale by maturity and bond rating. Although the general obligation bonds carried a double-A rating, they sold at rates equal to or better than the triple-A scale for the same date. Accordingly, and without qualification, we can say that the City did, indeed, enjoy a most rewarding trip over the information superhighway!

Labor/Management CALM Process

Using an appropriate acronym (CALM), the Cooperative Association of Labor and Management has proven to be a valuable philosophy, which in terms of economic improvement in daily operations has paid significant dividends. CALM’s mission, simply put, is “to revolutionize the way we do business”. Utilizing teams composed of management and the general employees collective bargaining group, CALM can stake claim to many accomplishments.

One early and ambitious project was to ensure customer satisfaction with our local government. Three areas were identified:

1. The Beach
2. The Riverwalk
3. Telecommunications

For each segment specific customers were first identified. Their expectations were then determined. Satisfaction levels were measured through detailed surveys. Specific performance measures were established and integrated into the operating budget to help assure that resources would be available to address customer concerns.

Other CALM initiatives produced cost savings for the past fiscal year. The City’s in-house Pipe Crew continued to underbid private contractors. Cost measurements during the year showed that the Crew was laying water pipe at an average cost of \$55.49 per foot compared to \$75.04 if private contractors were used, under prevailing market conditions. The CALM process Improvement Teams claim they generated \$650,000 cost savings in the water and wastewater facilities operations. The Clean City Services task work order system reduces overtime costs by \$65,000 on an annual basis.

Investment in Public Safety Equipment and Technology

The importance placed on public safety was further emphasized through two significant financings during the year. Proceeds from excise tax bonds were used to replace fire rescue vehicles. This consisted of nine pumpers, three aerials and one air/light truck at a cost of \$5.7 million. In addition, two pumpers are to be purchased in FY 98/99 for \$800,000. Disposition of the replaced vehicles yielded \$300,000.

Again, the City ventured further into the high tech area by obtaining a \$9.5 million loan from the Sunshine State Governmental Financing Commission for the Police Technology Plan. There are many components of the plan, but the majority of the investment is centered in Computer Aided Dispatch, Records Management System and FORTE (mobile lap top computer equipment). Some of the advantages of the project are enumerated below:

- Better tracking of documents
- More efficient scheduling
- Reduced overtime costs
- Improved communications
- Matching of current industry migration paths of other key state agencies
- Seamless integration with the Internet

The Police Department is featured in the following section of this letter for their accomplishments during the year.

DEPARTMENTAL FOCUS - POLICE DEPARTMENT

1998 Police Department Accomplishments

Mission: While continuing and increasing our cooperative efforts with all persons, associations, and businesses, we strive to improve the quality of life in our community. We shall protect lives, aaproperty and rights of all people, maintain order, and enforce the law impartially with the highest degree of ethical behavior and professional conduct at all times.

The following is a list of the department's major accomplishments during the year:

- Continued the evolving Community Policing Initiative with 42 employees assigned, the establishment of the Community Policing Demonstration Center with its training programs for citizens and police agencies, and national recognition from the Community Policing Consortium for the COPJAM program in two schools
- 9.5 percent reduction in reported Part I crimes (January through October 1998) following a drop of 18.92 percent in 1997
- Leveraged City funds with Federal Grants in the amount of \$2.2 million
- Increased the focus on teens including the establishment of the Police Athletic League
- Began implementation of a \$10 million technology plan including computer-aided dispatch, records imaging and management, jail management, pen-based mobile reporting, manpower allocation, evidence/supplies bar coding, digital photography, livescan fingerprinting, and mobile operations simulator
- Crime statistics by Police district communicated to the public in the department's monthly report

- Took the first step in regionalizing police communications by agreement with Broward Sheriff's Office
- Reduced auto thefts by 34 percent and received national recognition for the program that included free distribution of steering wheel locking devices
- Implemented the Weed and Seed project which represents a comprehensive and integrated approach to addressing violent crime, drug abuse, and deteriorating social and economic opportunities within a selected area of the City
- Doubled the number of trustee labor hours to a total of 55,000 coordinated for City work compared to the prior year
- Held two sessions of the Citizens Police Academy with 59 graduates

FUND STRUCTURE

The various fund types of the City have been classified into fund categories. These fund categories, along with their measurement focus, are explained as follows:

Governmental Funds (General, Special Revenue, Debt Service, Capital Projects)

These funds are used to account for the City's expendable financial resources and related current liabilities, except those accounted for in proprietary funds. Governmental funds are essentially accounting segregations for financial resources, and measurement focus is upon determination of financial position (sources, uses, and balances of resources) rather than upon net income determination. Basic financial statements necessary to fairly present financial position and operating results for these funds are the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance.

Proprietary Funds (Enterprise, Internal Service)

These funds are used to account for the City's ongoing activities, which are similar to those found in the private sector. Financial activity is reported in essentially the same manner as in commercial accounting where net income and capital maintenance are measured. Measurement focus is upon determination of net income, financial position and changes in financial position. The basic financial statements required for these funds are the Balance Sheet, the Statement of Revenues, Expenses and Changes in Retained Earnings, and the Statement of Cash Flows.

Fiduciary Funds (Trust and Agency)

These funds are used to account for assets held by the City in a trustee capacity. Nonexpendable and pension trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature.

Account Groups

In addition to the various fund types, a fourth category of accounting entities, account groups, is used to establish accounting control and accountability for the City's general fixed assets and general long-term debt. The City's general fixed assets (all fixed assets except those accounted for in proprietary or trust funds) are financial resources not available for expenditure. The unmatured principal of the City's general long-term debt (and other long-term liabilities not accounted for in proprietary funds)

does not require use of financial resources during the current accounting period. Accordingly, these are not accounted for in the governmental funds, but in self-balancing account groups.

FINANCIAL INFORMATION

Internal Control Structure and Budgetary Control

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with the revenues being recorded when available and measurable, and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City proprietary funds are maintained on the accrual basis. Although the legal level of control (the point at which expenditures and encumbrances cannot legally exceed appropriations) is by department, budgetary control is maintained at the division level through the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Purchase orders which result in an overrun of balances are not released until additional appropriations are made available. Open encumbrances are reported as reservations of fund balances on September 30, 1998.

In developing and modifying the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding:

- The safeguarding of assets against loss for unauthorized use or disposition; and
- The reliability of financial records for preparing financial statements and maintaining accountability for assets.

The concept of reasonable assurance recognizes that:

- The cost of a control should not exceed the benefits likely to be derived; and
- The evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The City's Internal Audit Division reviews and appraises the soundness, adequacy and application of accounting, financial and administrative controls in the City's accounting system. Financial transactions and related data are examined for accuracy, completeness and authorization. Data processing applications and systems are addressed by the internal auditors at appropriate times to assess the adequacy and accuracy of controls. Also, computerized applications are reviewed to determine that they have been developed according to the policies, procedures, standards and guidelines of the City.

General Government Operations

The following discussion of general governmental functions includes information from the General Fund.

Revenues totaled \$152,279,363 in 1997/98, an increase of 8.1% over the previous fiscal year. General property taxes remain the City's largest single source of revenue for the General Fund, representing 37.1% of revenue compared to 37.6% for the previous year.

The amount of revenue from various sources and the variance from last year are shown in the following table:

| <u>Revenue Source</u> | <u>Amount (Thousands)</u> | <u>Percent of Total</u> | <u>Increase (Decrease) Over 1996-97</u> |
|-----------------------|-------------------------------|-----------------------------|-------------------------------------------------|
| Property taxes | \$ 56,540 | 37.13% | \$ 3,563 |
| Utility taxes | 25,874 | 17.00 | 951 |
| Franchise taxes | 12,186 | 8.00 | (80) |
| Licenses and permits | 6,595 | 4.33 | (441) |
| Fines and forfeitures | 1,925 | 1.26 | (220) |
| Intergovernmental | 14,625 | 9.60 | 730 |
| Charges for Services | 18,163 | 11.93 | 4,904 |
| Other | <u>16,371</u> | <u>10.75</u> | <u>2,020</u> |
| | <u>\$ 152,279</u> | <u>100.00%</u> | <u>\$ 11,427</u> |

The City's \$10.2 billion assessed value after exemptions represented an increase of 5.1% from the previous year. Although there is heavy reliance on property taxes to fund General Fund operations, the City's conservative policy regarding the property tax is to keep increases to a minimum. In fact, the operating millage rate dropped from 5.2570 mills the previous year to 5.0633 mills for 1997/98.

The full impact of the 1997 General Obligation bond issue for Parks was the principal reason for the increase in property tax revenue. This was necessary to properly service the debt from voter approved bonds issued in May, 1997 for Parks improvements and additions.

The dramatic increase in charges for services is a direct result of Broward County reimbursing the City for police dispatch services and certain emergency medical expenditures. Other revenue was up, in part, due to a large sale of radio frequencies that were considered to be surplus, as well as additional revenue from the Bahia Mar land lease.

Relationships among revenue sources can best be grasped by reviewing the graphic illustration on page ix.

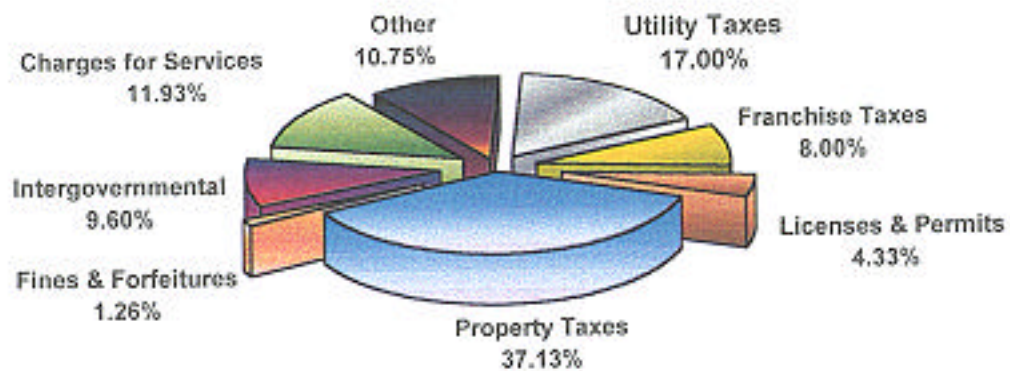
General Fund Expenditures totaled \$137,129,229, an increase of 6.5% from fiscal year 1996/97. Changes in levels of expenditure for major functions of the City are presented in the following tabulation:

| <u>Functions</u> | <u>Amount (Thousands)</u> | <u>Percent of Total</u> | <u>Increase (Decrease) Over 1996-97</u> |
|------------------------|-------------------------------|-----------------------------|-------------------------------------------------|
| General government | \$ 19,591 | 14.29% | \$ 1,179 |
| Public safety | 87,817 | 64.04 | 5,434 |
| Physical environment | 4,891 | 3.57 | 730 |
| Transportation 2,183 | 1.59 | (66) | |
| Economic environment | 1,442 | 1.05 | 223 |
| Culture and recreation | <u>21,205</u> | <u>15.46</u> | <u>919</u> |
| | <u>\$137,129</u> | <u>100.00%</u> | <u>\$ 8,419</u> |

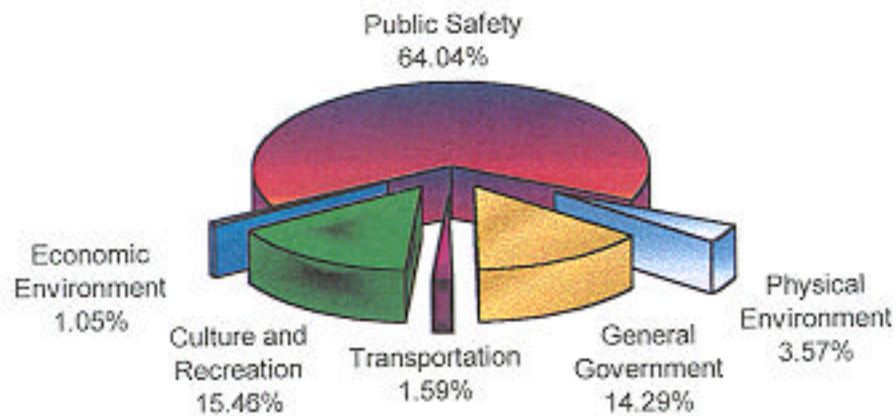
The function classification indicates the major purpose for which resources have been expended. Brief definitions of the functions are provided as follows:

General Government - Legislative, executive and staff support. Activities include City Commission, City Manager, City Attorney, City Clerk, Administrative Services, Finance, Planning and General Maintenance.

GENERAL FUND REVENUES



GENERAL FUND EXPENDITURES



Public Safety - Protection of people and property. Police, Fire, and Protective Inspection services compose this function.

Physical Environment - Primarily engineering services for the creation and recapitalization of public infrastructure.

Transportation - Major maintenance costs for roadways, walkways, runways and waterways.

Economic Environment - The cost of providing services which develop and improve the economic condition of the community and its citizens.

Culture and Recreation - Recreation and cultural activities including parks, auditoriums, museums, theaters, stadiums and events relating thereto.

It is notable that the percentage of each program expenditure to the total expenditures is nearly identical to the previous fiscal year. A continuing commitment to Public Safety is evident, especially taking into consideration the additional capital expenditures for equipment and technology which is described in the Major Initiatives section of this letter. Pay adjustments averaging 3.5% to 4% for the majority of City employees accounts for a major portion of the overall increase in expenditures.

The graph on page ix shows the percentage share of General Fund expenditures by function, further illustrating resource allocation.

The total Unreserved General Fund balance at the end of the year was \$8,228,578, of which \$6,023,011 was designated for subsequent years' expenditures.

Enterprise Operations

Enterprise funds are used:

- (a) to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily by user charges; or
- (b) where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The following five activities have been determined by the City as meeting the previous criteria and are included in this report as enterprise funds. Comparative data are as follows:

| | Operating Revenues (Thousands) | | Net Income (Thousands) | |
|-----------------|-----------------------------------|--------|---------------------------|--------|
| | 1998 | 1997 | 1998 | 1997 |
| Water and Sewer | \$ 58,057 | 54,416 | 11,914 | 10,539 |
| Sanitation | 17,403 | 17,081 | 11,778 | 1,354 |
| Parking System | 7,102 | 6,773 | 902 | 1,440 |
| Airport | 3,565 | 3,427 | 785 | 819 |
| Stormwater | 3,044 | 3,060 | 1,503 | 2,477 |

Financial highlights of these funds appear below:

Water and Sewer Fund

The 1997-98 fiscal year marked the last of a five year funding mechanism for a 10 year enhanced capital improvement program to upgrade aging underground infrastructure. Under the plan, rates were increased by 4% each year with resulting revenues specially earmarked for the program. Also, during the year an additional 2% increase in operating rates was implemented, accounting for the increase in operating revenues from the prior year. Additionally, increases in customer base and utilization contributed to the 10% increase in operating revenues. Net income also increased by nearly 15% for the FY 1997/98. Recognizing the importance for further needs in the capital program of the Water and Sewer system, a rate increase of 4% was approved for FY 1998/99.

Sanitation Fund

The huge increase in net income is directly attributable to successful efforts of potential responsible parties in the remediation of the Wingate landfill site to come to an agreement. Under the agreement, the City's share is limited to \$8,325,000 for direct remediation expenses. Ancillary costs are estimated at \$1,675,000. Due to the prior uncertainties associated with this sizable project, the City had previously recorded a liability of \$20.5 million. Accordingly, \$10.5 million of the \$11.8 million in net income is attributed to this reduction in estimated liability. Without this extraordinary transaction, the net income of the fund for FY 1997/98 would be essentially the same as the previous year.

Parking System Fund

Operating revenues of the system increased by a healthy 5%. Net earnings of the fund remained stable with little deviation from the year before. An operating transfer to the General Fund of \$442,000 for office technology accounted for the reduction in the net income of the fund. An outside engineering firm was retained to inspect key physical components and make recommendations for the formulation of a maintenance and facilities recapitalization plan.

Airport Fund

Once again, the Fort Lauderdale Airport and Industrial Park has held steady producing funds to keep its capital improvement program on track. Its major project, a \$3,000,000 downtown heliport atop the City Park garage, is making substantial headway toward completion.

Stormwater Fund

This is the newest of the City's enterprise funds, having been in operation for only six years. Staff was added during the year to enhance stormwater cleaning and swale reclamation, which is primarily responsible for the decrease in net income. However, operations continued to generate additional funding for future capital improvements.

Pension Operations

Two defined benefit plans are maintained for employee retirement, namely the General Employees Retirement System and the Police and Firefighters Retirement System.

City contributions to the plans for fiscal year 1997/98 were as follows:

| | <u>Amount</u> | <u>Percent of Annual Revenue</u> |
|----------------------------------------------|---------------|--------------------------------------|
| General Employees Retirement System | \$ 5,482,994 | 32.5% |
| Police and Firefighters Retirement System | \$ 6,653,658 | 19.0% |

In total, these contributions are approximately \$1 million less than in 1996/97.

Debt Administration

Fiscal year 1997/98 was very active in the debt arena. To take advantage of lower interest rates, portions of the 1992 excise tax issue and the previously refunded 1987 general obligation bond issue were refunded by the issuance of refunding bonds. In addition, new money was raised by selling \$6.045 million excise tax bonds to replace fire apparatus which had reached the end of its useful life. A loan in the amount of \$9.5 million from the Sunshine State Governmental Financing Commission provided funding for the police technology plan.

Useful indicators of the City's debt position are the ratio of net bonded debt to assessed valuation and amount of bonded debt per capita. This information for the City of Fort Lauderdale at the end of the 1998 fiscal year appears as follows:

| | <u>Amount</u> | <u>Ratio of Net Bonded Debt to Assessed Value</u> | <u>Net Bonded Debt Per Capita</u> |
|------------------------------------------|----------------------|-----------------------------------------------------------|-------------------------------------------|
| Net direct ad valorem tax supported debt | \$ 62,139,171 | .49% | \$ 414.26 |
| Net direct excise tax supported debt | \$ <u>16,031,381</u> | <u>.13%</u> | \$ <u>106.88</u> |
| Total net direct bonded debt | \$ <u>78,170,552</u> | <u>.62%</u> | \$ <u>521.14</u> |

The effect of the G.O. Refunding Bonds is not reflected in the above information, since the bond closing occurred subsequent to September 30, 1998.

The preceding summary includes only non-self-supporting debt. The history of the debt service coverage of the self-supporting debt (enterprise fund debt) is excellent and is presented in the statistical section of this report. Required principal, interest and reserves on outstanding debt were provided for during the year. Bond ratings continued to reflect that the City's uninsured bonds have the characteristics of strong investment quality as follows:

| | <u>Standard & Poor's</u> | <u>Moody's Investor's Service</u> |
|----------------------------------|------------------------------|---------------------------------------|
| General Obligation Bonds | AA | Aa |
| Excise Tax Improvement Bonds | A+ | A1 |
| Water and Sewer Revenue Bonds | AA- | Aa |

Cash Management

Diverse operations of the various funds of the City dictate the necessity for a sophisticated cash management system to control and actively utilize cash as a financial resource.

Our central cash management system provides that all cash be deposited into a central account for investment in approved securities. The objectives of our investment program are, in order of importance, to assure adequate liquidity, minimize risk and maximize yield. State law permits the City to adopt its own set of allowable securities. The City's list of approved securities provided by ordinance of the City Commission consists of U.S. Government securities, U.S. agency securities, commercial paper rated A-1 or P-1, certificates of deposit, bankers' acceptances, repurchase agreements (REPO'S), reverse REPO'S and the State's local government investment pool. During 1995/96 the City became an initial investor in the short term portfolio of the Florida Municipal Investment Trust administered by the Florida League of Cities. Through a Request for Proposal process, we recently obtained the services of an independent money manager for a portion of our general investment portfolio. Actual management of the funds assigned to the manager began subsequent to the end of the fiscal year.

Proceeds of the various bond issues are maintained separately from the City's other pooled cash. The reason for this segregation is due primarily to the federal arbitrage regulations and interest rebate requirements. Earnings which exceed the rate of interest on the borrowed funds must be returned to the federal government. The segregation of these investments provides for ease of rebate calculations.

The investments of the pension plans are controlled by the pension boards who have hired professional money managers responsible for managing the assets of those funds.

Risk Management

Nearly all insurance is administered through the City Insurance fund. A major portion of the insurance program involves self-insurance. The City is currently self-insured in the areas of workers' compensation, employee relations, general liability, automobile liability, and police professional liability. Premiums in excess of claims charged to the various operating funds over the years have been retained in the fund to provide for stability and protection against catastrophic losses as recommended by the City's Insurance Advisory Board.

Claims experience, combined with additional appropriations to amortize the fund deficit, results in a reduction of the fund deficit from September 30, 1997 of \$205,493 to \$93,836 as of the end of the current fiscal year. It should be emphasized that the fund is well equipped to pay claims as they come due with a Cash and Cash Equivalents account balance in excess of \$17 million at September 30, 1998. The fund deficit is expected to be eliminated at the end of next fiscal year.

Intergovernmental Revenue

A considerable source of funds is provided to the City from various federal, state and county agencies.

The sources of intergovernmental revenue received by the City during the year are summarized by fund type as follows:

| | <u>Fund Type</u> | | | | |
|--------------------|---------------------|----------------------------|-----------------------------|-------------------|-------------------|
| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>Enterprise</u> | <u>Total</u> |
| Federal Government | \$ 0 | 10,548,736 | 0 | 640,348 | 11,189,084 |
| State of Florida | 12,423,463 | 885,527 | 120,955 | 741,233 | 14,171,178 |
| Broward County | 2,201,903 | 1,616,185 | 1,010,653 | 107,535 | 4,936,276 |
| Other Local Units | 0 | 674,283 | 0 | 218,000 | 892,283 |
| | <u>\$14,625,366</u> | <u>13,724,731</u> | <u>1,131,608</u> | <u>1,707,116</u> | <u>31,188,821</u> |

OTHER INFORMATION

Independent Audit

As required by Section 10.02 of the City Charter, an examination of the books of account, financial records and transactions of all administrative departments of the City has been conducted by a firm of Certified Public Accountants. The report of Arthur Andersen, LLP Certified Public Accountants (Page 1 of this report) contains their opinion as to the fair presentation of the City's financial statements. Shaun M. Davis, Certified Public Accountant, participated with Arthur Andersen in the independent audit.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fort Lauderdale, Florida for its comprehensive annual financial report for the fiscal year ended September 30, 1997. This was the twenty-first consecutive year that the City received this prestigious award.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another Certificate.

In addition, the City also received the GFOA'S Award for Distinguished Budget Presentation for its annual budget prepared for the fiscal year covered by this Comprehensive Annual Financial Report. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories including policy documentation, financial planning and organization. We are pleased that this is the twelfth consecutive year that we have received this distinction.

Acknowledgments

Preparation of the Comprehensive Annual Financial Report is a major undertaking, especially in the presence of booming and dynamic economics and growing citizen involvement in our government. Many are responsible for this effort directed by Joanne

Rizi, Controller. The Central Accounting and Treasury Division staff works hard in assembling the multiple worksheets from over 365,000 financial transactions which occurred during the year and consolidates this into the form of financial statements, schedules and tables. Internal and independent auditors coordinate their work with accounting staff to produce the most professional report possible. Competent typing, graphical, and other logistical work from others assures that the final product will be appealing to the reader.

I believe that this report fully and clearly tells the City's financial story for the year and my appreciation is greatly extended to the entire team which prepared it. Appreciation is also extended to the City Manager and his staff for the direction provided and the interest of the City Commission in the financial affairs of the City.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Damon R. Adams". The signature is fluid and cursive, with a large initial "D" and a stylized "A".

Damon R. Adams, C.P.A.
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Fort Lauderdale,
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 1997

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Douglas R. Ellsworth
President

Jeffrey L. Esser
Executive Director

**THE PEOPLE OF FORT
LAUDERDALE**

